

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE NOTICE OF FOX CREEK RECC OF |) | |
| LAWRENCEBURG, KY FOR A REVISION |) | |
| TO ITS RETAIL TARIFFS TO IMPLEMENT |) | CASE NO. 10314 |
| A RETAIL MARKETING RATE FOR |) | |
| SPECIAL RETAIL APPLICATIONS |) | |

O R D E R

On August 19, 1988, Fox Creek Rural Electric Cooperative Corporation ("Fox Creek") resubmitted a revision to its retail electric tariffs to become effective on September 10, 1988. The revision provides for an off-peak retail marketing rate for special retail applications. The original filing of Fox Creek's revision to its retail electric tariffs was on July 13, 1988, and contained the off-peak retail marketing rate as well as revisions to its Large Commercial Rates C1, C2, and C3 Tariffs. A deficiency in the original off-peak retail marketing rate (Schedule R2 Residential Marketing Rate) necessitated a revised filing of this tariff on August 19, 1988. The revisions to Fox Creek's Large Commercial Rates C1, C2, and C3 Tariffs remain unchanged in the filing of July 13, 1988. Pursuant to KRS 278.190(2), the Commission on July 27, 1988 suspended the effective date of the revision until January 10, 1989.

The off-peak retail marketing rate is designed to offer a 40 percent discount to the energy rate of Tariff Schedule R Residential Rate to consumers eligible for that same tariff. This

rate offering is in conjunction with the Marketing Rate of the Wholesale Power Rate Schedule A of East Kentucky Power Cooperative, Inc. ("EKPC") approved by the Commission in Case No. 10281, The Notice of East Kentucky Power Cooperative, Inc. of a Revision to Its Wholesale Electric Power Tariff to Implement a Wholesale Power Marketing Rate for Special Retail Applications. This wholesale power marketing rate offers to Fox Creek and EKPC's other member cooperatives a 20 percent discount to the current wholesale power energy rate for off-peak power used for designated marketing programs.

The Large Commercial Rate Schedules C1, C2, and C3 Revisions result in a reduction of the respective energy charges such that the energy charge of Rate Schedule C1 reflects an 8 mil adder over EKPC's Wholesale Rate Schedule C, the energy charge of Rate Schedule C2 reflects a 3 mil adder over EKPC's Schedule C, and the energy charge of Rate Schedule C3 reflects a 2 mil adder over EKPC's Schedule C.

The initial application of Fox Creek's marketing rate will be for the use of Electric Thermal Storage ("ETS") devices. ETS is a technology that allows heat to be stored in one time period and used in another. Specifically, the ETS device can be controlled by the utility to store heat at night during off-peak hours and to discharge heat as needed, with no contribution to on-peak load.

The Commission has previously allowed electric utilities to charge special rates for power used by ETS devices. In December 1986, we permitted South Kentucky Rural Electric Cooperative Corporation ("South Kentucky RECC") and EKPC to conduct a

three-year pilot program involving ETS units. The load research data produced by that program indicates that ETS is a favorable off-peak load building technique which improves load factor.

The Commission assumes that Fox Creek will incorporate many of the features of the ETS pilot program into its own marketing programs. Of special interest to the Commission is any contract between the utility and its retail customers. In the ETS pilot program, for example, South Kentucky RECC contracted with each ETS customer guaranteeing, inter alia, that the energy used by the ETS unit would be discounted at least 40 percent for ten years and that off-peak power would be available for charging the ETS unit for at least ten hours daily. If similar contracts are used by Fox Creek, they should be standardized and used for all customers seeking the retail marketing rate. Any failure to standardize such contracts would constitute a violation of KRS 278.170. Furthermore, a copy of the standardized contract should be filed as part of Fox Creek's tariff.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that the revised tariff should be accepted provided it is amended to state that the retail marketing rate applies only to programs which are expressly approved by the Commission to be offered under the Marketing Rate of EKPC's Wholesale Power Rate Schedule A.

Furthermore, the Commission is of the opinion and finds that Fox Creek's Large Commercial Rate C1, C2, and C3 Tariffs are reasonable and just and should be accepted.

IT IS THEREFORE ORDERED that:


1. Fox Creek's Schedule R2 Residential Marketing Rate Tariff as filed with the Commission on August 19, 1988 be and hereby is denied.

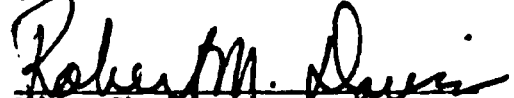
2. Within 20 days of the date of this Order, Fox Creek shall file with this Commission an Amended Tariff complying with the findings of this Order, or request a hearing to present evidence to show why the proposed tariff should be accepted without modification.

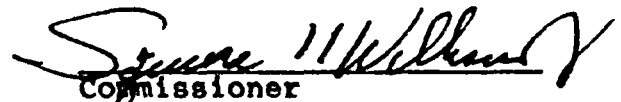
3. Fox Creek's Large Commercial Rate Schedules C1, C2, and C3, having been found to be reasonable and just, be and hereby are approved. Fox Creek shall file with the Commission signed copies of Large Commercial Rate Schedules C1, C2, and C3 within 20 days of the date of this Order.

Done at Frankfort, Kentucky, this 9th day of September, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director